

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6802**

**BILL NUMBER: SB 411**

**NOTE PREPARED:** Jan 6, 2012

**BILL AMENDED:**

**SUBJECT:** Public Employee Salary Limitation.

**FIRST AUTHOR:** Sen. Delph

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides that the salary paid from state or local appropriations to a public officer, employee, or contractor of the executive, legislative, and judicial branches of state government, state educational institutions, political subdivisions, or bodies corporate and politic of the state or a political subdivision may not exceed the salary paid to the Governor, except that the salary of a contractor or employee of a state educational institution may be supplemented with amounts paid by or through an endowment that is not funded by taxes, fees, or appropriations of money from the Treasury of the State or a political subdivision.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** *State Employees:* Under this bill, salaries of state employees would be capped at the salary amount paid to the Governor. In 2011, the Governor's salary totaled \$107,881. Based on a December 2011 staffing report of state employees, 522 employees were earning more than that amount. In addition, the bill would decrease the salary of an additional 182 judicial officers and 150 members of the General Assembly who earn less than the Governor, but whose salary is set in statute as a percentage of salary earned by higher-earning judicial officers (See Tables 2-4). In total, the bill would decrease state salaries by around \$14.2 M (See Table 1). State expenditures for fringe benefit costs, including pension contributions, would also decrease by approximately \$2.8 M. In FY2013, the state will pay an additional 19.53% of salary costs for fringe benefits and pension contributions. State payroll costs are paid from the General Fund (55%) and from various dedicated funds (45%).

| <b>Table 1: Estimated Annual Savings on State Employee Salary and Benefits</b> |                     |
|--|---------------------|
| Salary   | \$14,207,381        |
| Fringe Benefits (including pension contributions)                              | \$2,774,702         |
| <b>Total Savings</b>   | <b>\$16,982,083</b> |

Included in the number of state employees earning more than the cap amount are 30 medical professionals, including psychiatrists, doctors, and pharmacists working at state hospitals. Capping salary amounts would make it difficult to retain and attract employees for these positions. Under the proposal, state hospitals and other impacted employers may find it necessary to hire two part-time individuals for certain positions in order to cover the work load, stay under the cap amount, and recruit qualified employees. If the proposal led to additional hiring, the state's cost savings for salaries and benefits would decrease. In addition, if the proposal increases turnover, the state would see increased hiring and training costs.

| <b>Table 2: State Employees with Pay Affected by Public Salary Cap</b>  |                  |                       |                |                       |               |                       |
|---|------------------|-----------------------|----------------|-----------------------|---------------|-----------------------|
|   | <i>Appointed</i> |                       | <i>Elected</i> |                       | <i>Total</i>  |                       |
| <b>Branch of Government</b>   | <b>Number</b>    | <b>Salary Savings</b> | <b>Number</b>  | <b>Salary Savings</b> | <b>Number</b> | <b>Salary Savings</b> |
| Executive   | 75               | \$2,274,905           |                |                       | 75            | \$2,274,905           |
| Judicial  | 231              | \$3,852,090           | 381            | \$7,346,454           | 612           | \$11,198,544          |
| Legislative   | 14               | \$242,893             | 150            | \$479,682             | 164           | \$722,575             |
| Other*  | 3                | \$11,357              |                |                       | 3             | \$11,357              |
| <b>Total</b>  | <b>323</b>       | <b>\$6,381,245</b>    | <b>531</b>     | <b>\$7,826,136</b>    | <b>854</b>    | <b>\$14,207,381</b>   |
| *State employees listed under "Other" work for a state office with an independently elected head, including the offices of the Auditor of State, Attorney General, and Superintendent of Education. |                  |                       |                |                       |               |                       |

This bill would reduce the salaries of 612 judicial officers. To estimate the salary savings to the state, LSA assumed that the salaries of the Supreme Court Justices, the judges of the Court of Appeals, the trial court judges, and the prosecuting attorneys would all receive the same salary as the Governor. The salary of the magistrates is statutorily fixed at 80% of the salary of the trial court judges. The salaries of chief deputy prosecuting attorneys and the deputy prosecuting attorneys are based on a percentage of the salary of the prosecuting attorneys depending on whether the prosecuting attorneys work full- or part-time (See Table 3).

| <b>Table 3: Effect of the Proposal on Judicial Officers' Salary</b> |               |                            |                       |                                  |                   |                     |
|---|---------------|----------------------------|-----------------------|----------------------------------|-------------------|---------------------|
| <b>Office</b>   | <b>Number</b> | <b>Elected / Appointed</b> | <b>Current Salary</b> | <b>Salary Based on</b>           | <b>New Salary</b> | <b>Savings</b>      |
| Trial Court Judges  | 290           | Elected                    | \$127,280             | Fixed in Statute                 | \$107,881         | \$5,625,751         |
| Prosecutor Full-Time  | 85            | Elected                    | \$127,280             | Same as Trial Court Judge        | \$107,881         | \$1,648,927         |
| Prosecutor Part-Time A  | 2             | Elected                    | \$82,732              | 65% of Pros. Atty                | \$70,123          | \$25,219            |
| Prosecutor Part-Time B  | 4             | Elected                    | \$76,368              | 60% of Pros. Atty                | \$64,729          | \$46,558            |
| Supreme Court Justices  | 5             | Appointed                  | \$153,295             | Fixed in Statute                 | \$107,881         | \$227,071           |
| Judges of Courts of Appeal  | 16            | Appointed                  | \$149,015             | Fixed in Statute                 | \$107,881         | \$658,150           |
| Trial Court Judges  | 25            | Appointed                  | \$127,280             | Fixed in Statute                 | \$107,881         | \$484,979           |
| Magistrates   | 59            | Appointed                  | \$101,824             | 80% of Trial Court Judge         | \$86,305          | \$915,639           |
| Chief Dep Prosecutor Full- Time                                     | 80            | Appointed                  | \$95,460              | 75% of Pros. Atty                | \$80,911          | \$1,163,948         |
| Chief Dep Prosecutor Part- Time A                                   | 4             | Appointed                  | \$62,049              | 75% of Part-time Pros. Atty      | \$52,592          | \$37,828            |
| Deputy Prosecutor Full-Time A                                       | 15            | Appointed                  | \$63,640              | 75% of Pros. Atty                | \$53,941          | \$145,494           |
| Chief Dep Prosecutor Part-Time B                                    | 7             | Appointed                  | \$57,276              | 75% of Part-time Pros. Atty      | \$48,546          | \$61,107            |
| Deputy Prosecutor Full-Time B                                       | 11            | Appointed                  | \$57,276              | 45% of Pros. Atty                | \$48,546          | \$96,026            |
| Staff   | 9             | Appointed                  | \$114,753             | Average Salary of Affected Staff | \$107,881         | \$61,848            |
| <b>Total</b>  | <b>612</b>    |                            |                       |                                  |                   | <b>\$11,198,544</b> |

*Members of the General Assembly:* Salaries of members of the General Assembly are statutorily set at 18% of the salary of trial court judges with no salary increase in FY 2012 or FY 2013 (See Table 4).

| <b>Table 4: Effect of the Proposal on General Assembly Members' Salary</b> |               |                            |                       |                           |                   |                |
|--|---------------|----------------------------|-----------------------|---------------------------|-------------------|----------------|
| <b>Office</b>  | <b>Number</b> | <b>Elected / Appointed</b> | <b>Current Salary</b> | <b>Salary Based on</b>    | <b>New Salary</b> | <b>Savings</b> |
| General Assembly   | 150           | Elected                    | \$22,616              | 18% of trial court judges | \$19,419          | \$479,682      |

*Public College and University Employees:* Based on 2009-2010 salary data from public colleges and universities in Indiana, approximately 2,400 employees were earning more than the Governor's 2011 salary. Salary earned above the cap totaled around \$96 M. Under the bill, salaries for these individuals could be

supplemented through endowments not paid for through taxes, fees, or appropriations from the state or political subdivisions. Employee salaries for public colleges and universities are paid for through General Fund appropriations, student tuition and grants.

**Explanation of State Revenues:** The bill would decrease the amount of state income tax collected from employees who see a pay cut under this proposal. Income tax collections would decline by the decrease in taxable income multiplied by the state income tax rate of 3.4%.

**Explanation of Local Expenditures:** *Local Government Employees:* The salary cap imposed in the bill would also apply to local government employees. In 2011, 115 school superintendents earned more than \$110,000. However, it is unknown how many total local government employees earn more than the cap amount.

The bill would decrease local expenditures. However, capping public salaries could make it difficult to retain and attract employees for positions currently paying more than that amount.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:** *State Staffing Report*, December 2011; State of Indiana Employee Salaries, [http://www.indystar.com/data/government/state\\_salaries\\_search.shtml](http://www.indystar.com/data/government/state_salaries_search.shtml), accessed December 30, 2011.

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